



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 9, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Acting Auditor-Controller

A handwritten signature in cursive script, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **VAN NESS RECOVERY HOUSE CONTRACT REVIEW – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER – FISCAL YEAR 2007-08**

We completed a program, fiscal and administrative contract compliance review of Van Ness Recovery House (Van Ness or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Van Ness, a non-profit organization to provide and operate the WIA Adult Special Needs Program. The Program is a comprehensive training and employment program to assist low income adults with multiple barriers including substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by Van Ness include career planning, occupational skills, training and job placement. Van Ness' office serves participants residing in all five Districts.

Van Ness was compensated on a cost reimbursement basis with a contract for \$58,847 for Fiscal Year (FY) 2007-08. Van Ness did not renew their contract with CSS for FY 2008-09.

Purpose/Methodology

The purpose of the review was to determine whether Van Ness complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Generally, Van Ness provided the required program services to eligible participants and met the FY 2007-08 second quarter planned performance measures outlined in the County contract. However, Van Ness billed CSS \$8,164 in questioned costs. In addition, Van Ness did not always comply with WIA and County contract requirements. For example:

- Van Ness did not submit a copy of their Single Audit report to CSS within nine months after the end of the fiscal year as required.
- Van Ness' Cost Allocation Plan was not prepared in compliance with the County contract.

Subsequent to our review, Van Ness repaid CSS \$7,285 of the \$8,164 in questioned costs.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Van Ness and CSS on September 11, 2008. In their attached response, Van Ness concurred with our findings and recommendations and indicated that they will repay the remaining \$879 (\$8,164 - \$7,285) in questioned costs.

We thank Van Ness for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC:EB

Attachment

- c: William T Fujioka, Chief Executive Officer
- Cynthia D. Banks, Director, Department of Community and Senior Services
- Kathleen Watt, Executive Director, Van Ness Recovery House
- Tripp Mills, Chairperson, Van Ness Recovery House
- Public Information Office
- Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
VAN NESS RECOVERY HOUSE
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Van Ness Recovery House (Van Ness or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for all ten participants that received services from July 2007 through April 2008 for documentation to confirm their eligibility for WIA services.

Results

All ten participants sampled met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Van Ness provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all ten participants that received services from July 2007 through April 2008. We also interviewed five program participants.

Results

The five participants interviewed stated that the services they received met their expectations. In addition, Van Ness provided the services in accordance with the County contract and WIA guidelines.

Recommendation

There are no recommendations for this section.

PERFORMANCE OUTCOME REVIEW**Objective**

Determine whether Van Ness met the planned performance measures as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes for the second quarter to the planned performance measures outlined in the County contract and the program activities reported on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Results

Van Ness' FY 2007-08 second quarter actual performance outcomes were accurately reported to the WIB and the case files contained documentation to support the program activities reported on the JTA system. In addition, Van Ness met the FY 2007-08 second quarter planned performance measures outlined in the County contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records.

Results

Van Ness did not provide completed bank reconciliations for our review. As such, we could not verify the cash balance on the Agency's general ledger. Similar findings were also noted during the prior three years' monitoring reviews. Subsequent to our review, Van Ness provided the Agency's completed October 2007 bank reconciliation that included all the elements as required by the County contract.

Recommendation

1. **Van Ness management ensure that bank reconciliations are properly prepared within 30 days of the bank statement date, discrepancies are resolved in a timely manner and bank reconciliations are signed by the preparer and reviewer.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 15 non-payroll expenditure transactions billed by the Agency for December 2007, January and March 2008, totaling \$1,714.

Results

Generally, Van Ness' expenditures were allowable, properly documented and accurately billed.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested expenditure transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Van Ness did not submit a copy of their Single Audit Report to CSS within nine months after the end of the fiscal year. In addition, Van Ness' workers' compensation insurance policy did not require a 30 day advance written notice of cancellation as required by the County contract. Specifically, the Agency's workers' compensation insurance policy required only a ten day advance written notice of cancellation. Subsequent to our review, Van Ness provided an updated workers' compensation insurance policy that required a 30 day advance written notice of cancellation.

Recommendations**Van Ness management:**

2. **Submit a copy of their Single Audit Report within nine months after the end of the fiscal year.**
3. **Ensure that the insurance policy require a 30 day advance written notice of cancellation as required by the County contract.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Van Ness' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of all two items purchased with WIA funds, totaling \$3,004.

Results

Van Ness disposed of one item purchased for \$2,410 without obtaining approval from CSS as required by the County contract. According to Agency management, a request to dispose of the property was submitted to CSS on April 23, 2008. However, Van Ness disposed of the property prior to obtaining approval from CSS. A similar finding was also noted during the prior year's monitoring review.

Subsequent to our review, CSS approved the disposal of the property on October 8, 2008.

Recommendation

4. Van Ness management obtain prior written approval from CSS for disposal of property.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files were maintained as required.

Verification

We traced the payroll expenditures invoiced for one employee totaling \$4,776 for January 2008 to the Agency's payroll records and time reports. We also interviewed and reviewed the personnel file for one employee assigned to the WIA program.

Results

Van Ness appropriately charged payroll expenditures to the WIA program and the personnel files were maintained as required.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether Van Ness' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in December 2007, January and March 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Van Ness' Cost Allocation Plan was not prepared in compliance with the County contract. Specifically, Van Ness' Cost Allocation Plan did not contain a signature of

contractor management certifying the accuracy of the plan, state the basis of the accounting method used or identify which fiscal year the plan applied to as required by the County contract.

Recommendation

5. **Van Ness management sign and update the Agency's Cost Allocation Plan to indicate the basis of the accounting method used and the fiscal year.**

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced Van Ness' FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in FY 2006-07.

Results

Van Ness overbilled CSS \$8,164 in unsupported and unallowable expenditures. Specifically:

- Van Ness' FY 2006-07 general ledger did not reconcile to the Agency's final close out invoice for FY 2006-07. Specifically, Van Ness billed CSS \$57,312 in Salaries and Wages and \$3,792 in Workers' Compensation Insurance. However, the Agency's general ledger indicated that Salaries and Wages totaled \$52,903 and the Workers' Compensation Insurance totaled \$1,428. Unsupported expenditures totaled \$6,773.
- Van Ness did not maintain adequate documentation, such as original invoices and cancelled checks, to support program expenditures, totaling \$987. This finding was also noted during the prior year's monitoring review.
- Van Ness exceeded the budget by \$404. The County contract requires contractors to request for reimbursement for actual expenditures incurred during the program year, not to exceed budgeted amounts.

During September 2008, Van Ness repaid CSS \$7,285 of the \$8,164 in unsupported and unallowable expenditures.

Recommendations**Van Ness management:**

6. Repay CSS \$879 (\$8,164 - \$7,285).
7. Maintain adequate documentation to support program expenditures and request for reimbursement for actual expenditures incurred.
8. Ensure that amounts billed to CSS do not exceed the budgeted amounts.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on December 7, 2007.

Results

The prior monitoring report contained 12 recommendations. Van Ness implemented five recommendations. As previously indicated, the findings related to recommendations 1, 4 and 7 contained in this report were also noted during the prior year's monitoring review. The remaining four recommendations required the Agency to repay CSS \$1,932 and implement the outstanding recommendations from the FY 2005-06 monitoring report. Subsequent to our review, Van Ness repaid CSS \$1,932.

Recommendation

9. Van Ness management implement the outstanding recommendations from the prior years' monitoring reports.



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September 29, 2008

Wendy L. Watanabe, Acting Auditor-Controller
Department Auditor Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Alhambra, CA 91803
Attn.: Yoon Bae

RE: Workforce Investment Act Program
Van Ness Recovery House
Fiscal Year 2007-08
Audit Response/Plan of Corrective Action

CASH/REVENUE

Corrective Action

Van Ness Recovery House has an "Outside" accounting firm, which handles bank reconciliations; these are part of the monthly "Financials" prepared by these accountants. When the monthly reports are delivered back to Van Ness Recovery House and reviewed by the Executive Director they will be signed. The accountant sends a cover letter with each month's prepared package.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Van Ness Recovery House always submits their Single Audit Report; we are working to get it completed within the nine month requirement.

Attached is a copy of Van Ness Recovery House Workers' Compensation insurance policy which shows 30 day advance written notice of cancellation.

COST ALLOCATION PLAN

Should Van Ness Recovery House ever have another contract with CSS we will follow all contract language and requirements when completing the Cost Allocation Plan.

CLOSE-OUT REVIEW

Recommendations

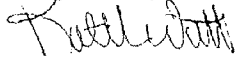
Van Ness Recovery House management:

- 6. Van Ness Recovery House will repay \$879.00**
- 7. Van Ness Recovery House will no longer allow employees to have charges on personal accounts or pay bills on line as it is hard to have cancelled checks for documentation**
- 8. Van Ness Recovery House will never spend one penny over budget on CSS contracts.**

PRIOR YEAR FOLLOW-UP

If Van Ness Recovery House had a contract we would implement all recommendations from this year as well as prior years.

Respectively Submitted,



Kathleen Watt
Executive Director